

TOWNSHIP OF SHERMAN
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sherman	County Isabella
Fiscal Year End March 31, 2008	Opinion Date June 10, 2008	Date Audit Report Submitted to State June 12, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF SHERMAN
Isabella County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 10, 2008

To the Township Board
Township of Sherman
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sherman, Isabella County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sherman's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sherman, Isabella County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SHERMAN
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sherman covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$506,717.34 for governmental activities.

Overall revenues were \$346,975.17. Governmental activities had a \$45,310.46 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Fire Fund, and the Weed Control Fund.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	449 693
Capital Assets	<u>71 585</u>
Total Assets	<u>521 278</u>
Current Liabilities	14 561
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>14 561</u>
Net Assets:	
Invested in Capital Assets	71 585
Unrestricted	<u>435 132</u>
Total Net Assets	<u>506 717</u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	14 622
General Revenues:	
Property Taxes	183 759
State Revenue Sharing	121 839
Interest	17 111
Miscellaneous	<u>9 644</u>
Total Revenues	<u>346 975</u>
Program Expenses:	
Legislative	17 861
General Government	107 550
Public Safety	100 606
Public Works	144 236
Recreation and Culture	<u>22 033</u>
Total Expenses	<u>392 286</u>
Increase (Decrease) in Net Assets	(45 311)
Net Assets, April 1	<u>552 028</u>
Net Assets, March 31	<u>506 717</u>

TOWNSHIP OF SHERMAN
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Fire Fund, and the Weed Control Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The total incurred expenses were \$286,316.29.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

The Township has no long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors that may affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer office at 3550 N. Rolland Rd., Weidman, MI 48893.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>449 693 12</u>
Total Current Assets	<u>449 693 12</u>
NON-CURRENT ASSETS:	
Capital Assets	233 803 26
Less: Accumulated Depreciation	<u>(162 217 98)</u>
Total Non-current Assets	<u>71 585 28</u>
TOTAL ASSETS	<u><u>521 278 40</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accrued wages	<u>14 561 06</u>
Total Current Liabilities	<u>14 561 06</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	71 585 28
Unrestricted	<u>435 132 06</u>
Total Net Assets	<u>506 717 34</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>521 278 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	17 861 13	-	(17 861 13)
General government	107 549 87	13 222 00	(94 327 87)
Public safety	100 606 05	1 400 00	(99 206 05)
Public works	144 235 55	-	(144 235 55)
Culture and recreation	22 033 03	-	(22 033 03)
Total Governmental Activities	<u>392 285 63</u>	<u>14 622 00</u>	<u>(377 663 63)</u>
General Revenues:			
Property taxes			183 758 65
State revenue sharing			121 838 88
Interest			17 111 16
Miscellaneous			9 644 48
Total General Revenues			<u>332 353 17</u>
Change in net assets			(45 310 46)
Net assets, beginning of year			<u>552 027 80</u>
Net Assets, End of Year			<u>506 717 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Other Funds (Weed Control)</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	358 230 32	76 583 27	13 797 69	448 611 28
Due from other funds	<u>1 081 84</u>	<u>-</u>	<u>-</u>	<u>1 081 84</u>
Total Assets	<u>359 312 16</u>	<u>76 583 27</u>	<u>13 797 69</u>	<u>449 693 12</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accrued wages	14 561 06	-	-	14 561 06
Total liabilities	<u>14 561 06</u>	<u>-</u>	<u>-</u>	<u>14 561 06</u>
Fund balances:				
Fund balances:				
Unreserved:				
Undesignated	344 751 10	76 583 27	13 797 69	435 132 06
Total fund equity	<u>344 751 10</u>	<u>76 583 27</u>	<u>13 797 69</u>	<u>435 132 06</u>
Total Liabilities and Fund Equity	<u>359 312 16</u>	<u>76 583 27</u>	<u>13 797 69</u>	<u>449 693 12</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 435 132 06

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	233 803 26
Accumulated depreciation	<u>(162 217 98)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 506 717 34

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Other Funds (Weed Control)</u>	<u>Total</u>
Revenues:				
Property taxes	82 021 54	78 837 11	22 900 00	183 758 65
Licenses and permits	1 400 00	-	-	1 400 00
State revenue sharing	121 838 88	-	-	121 838 88
Charges for services	13 222 00	-	-	13 222 00
Interest	15 478 84	1 434 71	197 61	17 111 16
Miscellaneous	9 644 48	-	-	9 644 48
Total revenues	<u>243 605 74</u>	<u>80 271 82</u>	<u>23 097 61</u>	<u>346 975 17</u>
Expenditures:				
Legislative:				
Township Board	17 861 13	-	-	17 861 13
General government:				
Supervisor	10 916 38	-	-	10 916 38
Elections	802 19	-	-	802 19
Clerk	12 259 83	-	-	12 259 83
Assessor	30 192 50	-	-	30 192 50
Board of Review	1 344 00	-	-	1 344 00
Treasurer	24 749 34	-	-	24 749 34
Cemetery	16 574 37	-	-	16 574 37
Township Hall	8 692 60	-	-	8 692 60
Public safety:				
Police	11 374 25	-	-	11 374 25
Liquor law enforcement	871 23	-	-	871 23
Fire protection	-	74 635 68	-	74 635 68
Planning and zoning	13 724 89	-	-	13 724 89
Public works:				
Highways and streets	117 751 71	-	-	117 751 71
Street lighting	2 768 84	-	-	2 768 84
Weed control	-	-	23 715 00	23 715 00
Culture and recreation:				
Library	6 601 63	-	-	6 601 63
Parks and recreation	9 831 40	-	-	9 831 40
Total expenditures	<u>286 316 29</u>	<u>74 635 68</u>	<u>23 715 00</u>	<u>384 666 97</u>
Excess (deficiency) of revenues over expenditures	(42 710 55)	5 636 14	(617 39)	(37 691 80)
Fund balances, April 1	<u>387 461 65</u>	<u>70 947 13</u>	<u>14 415 08</u>	<u>472 823 86</u>
Fund Balances, March 31	<u>344 751 10</u>	<u>76 583 27</u>	<u>13 797 69</u>	<u>435 132 06</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (37 691 80)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(7 618 66)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (45 310 46)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sherman, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sherman. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.9131 mills, and the taxable value was \$84,142,618.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	25 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>449 693 12</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>330 274 82</u>
Total Deposits	<u>430 274 82</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	8 960 00	-	-	8 960 00
Building	210 000 00	-	-	210 000 00
Equipment	14 843 26	-	-	14 843 26
Total	233 803 26	-	-	233 803 26
Accumulated Depreciation	(154 599 32)	(7 618 66)	-	(162 217 98)
Net Capital Assets	79 203 94	(7 618 66)	-	71 585 28

Note 5 – Pension Plan

The Township has a defined contribution pension plan that covers all Township Board members and other employees of the Township. For the fiscal year ended March 31, 2008, the Township paid pension expenses of \$9,387.85.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF SHERMAN
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 8 – Building Permits

The Township of Sherman does not issue building permits. Building permits are issued by Joint Construction Code Authority.

Note 9 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund:			
Clerk	12 000 00	12 259 83	259 83
Assessor	30 000 00	30 192 50	192 50
Treasurer	22 000 00	24 749 34	2 749 34
Township hall	8 000 00	8 692 60	692 60
Liquor law enforcement	800 00	871 23	71 23
Planning and zoning	9 000 00	13 724 89	4 724 89
Highways and streets	75 000 00	117 751 71	42 751 71
Fire Fund:			
Fire protection	71 024 00	74 635 68	3 611 68
Weed Control Fund:			
Weed control	10 560 00	23 715 00	13 155 00

TOWNSHIP OF SHERMAN
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	77 793 00	77 793 00	82 021 54	4 228 54
Licenses and permits	700 00	700 00	1 400 00	700 00
State revenue sharing	117 108 00	117 108 00	121 838 88	4 730 88
Charges for services	1 200 00	1 200 00	13 222 00	12 022 00
Interest	10 000 00	10 000 00	15 478 84	5 478 84
Miscellaneous	17 150 00	17 150 00	9 644 48	(7 505 52)
Total revenues	223 951 00	223 951 00	243 605 74	19 654 74
Expenditures:				
Legislative:				
Township Board	28 311 85	28 311 85	17 861 13	(10 450 72)
General government:				
Supervisor	11 000 00	11 000 00	10 916 38	(83 62)
Elections	2 500 00	2 500 00	802 19	(1 697 81)
Clerk	12 000 00	12 000 00	12 259 83	259 83
Assessor	30 000 00	30 000 00	30 192 50	192 50
Board of Review	2 000 00	2 000 00	1 344 00	(656 00)
Treasurer	22 000 00	22 000 00	24 749 34	2 749 34
Cemetery	12 000 00	20 000 00	16 574 37	(3 425 63)
Township Hall	8 000 00	8 000 00	8 692 60	692 60
Public safety:				
Police	15 000 00	15 000 00	11 374 25	(3 625 75)
Liquor law enforcement	800 00	800 00	871 23	71 23
Planning and zoning	9 000 00	9 000 00	13 724 89	4 724 89
Public works:				
Highways and streets	75 000 00	75 000 00	117 751 71	42 751 71
Street lighting	3 200 00	3 200 00	2 768 84	(431 16)
Culture and recreation:				
Library	7 000 00	7 000 00	6 601 63	(398 37)
Parks and recreation	10 000 00	10 000 00	9 831 40	(168 60)
Total expenditures	247 811 85	255 811 85	286 316 29	30 504 44
Excess (deficiency) of revenues over expenditures	(23 860 85)	(31 860 85)	(42 710 55)	(10 849 70)
Fund balance, April 1	315 939 06	315 939 06	387 461 65	71 522 59
Fund Balance, March 31	292 078 21	284 078 21	344 751 10	60 672 89

TOWNSHIP OF SHERMAN
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	75 245 84	75 245 84	78 837 11	3 591 27
Interest	-	-	1 434 71	1 434 71
Total revenues	<u>75 245 84</u>	<u>75 245 84</u>	<u>80 271 82</u>	<u>5 025 98</u>
Expenditures:				
Public safety:				
Fire protection	<u>71 024 00</u>	<u>71 024 00</u>	<u>74 635 68</u>	<u>3 611 68</u>
Total expenditures	<u>71 024 00</u>	<u>71 024 00</u>	<u>74 635 68</u>	<u>3 611 68</u>
Excess (deficiency) of revenues over expenditures	4 221 84	4 221 84	5 636 14	1 414 30
Fund balance, April 1	<u>32 024 96</u>	<u>32 024 96</u>	<u>70 947 13</u>	<u>38 922 17</u>
Fund Balance, March 31	<u><u>36 246 80</u></u>	<u><u>36 246 80</u></u>	<u><u>76 583 27</u></u>	<u><u>40 336 47</u></u>

TOWNSHIP OF SHERMAN
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	5 300 00
Payroll taxes	1 433 39
Pension	1 863 79
Contracted services	30 00
Insurance	3 948 00
Supplies	1 470 60
Dues	2 282 68
Miscellaneous	1 532 67
	<u>17 861 13</u>
Supervisor:	
Salary	9 046 96
Pension	1 869 42
	<u>10 916 38</u>
Elections	<u>802 19</u>
Clerk:	
Salary	9 794 00
Pension	2 058 09
Supplies	407 74
	<u>12 259 83</u>
Assessor:	
Contracted services	28 743 40
Supplies	1 449 10
	<u>30 192 50</u>
Board of Review:	
Wages	1 160 00
Miscellaneous	184 00
	<u>1 344 00</u>
Treasurer:	
Salary – Treasurer	17 044 04
Pension	3 451 32
Supplies	4 253 98
	<u>24 749 34</u>
Cemetery:	
Contracted services	7 115 00
Repairs and maintenance	8 922 37
Miscellaneous	537 00
	<u>16 574 37</u>
Township Hall	<u>8 692 60</u>
Police:	
Wages	5 177 25
Insurance	4 758 00
Miscellaneous	1 439 00
	<u>11 374 25</u>
Liquor law enforcement:	
Wages	726 00
Pension	145 23
	<u>871 23</u>

TOWNSHIP OF SHERMAN
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Planning and zoning:	
Wages	6 370 00
Repairs and maintenance	7 169 29
Miscellaneous	185 60
	<u>13 724 89</u>
Highways and streets	<u>117 751 71</u>
Street lighting	<u>2 768 84</u>
Library:	
Contracted service	2 860 87
Utilities	2 927 61
Miscellaneous	813 15
	<u>6 601 63</u>
Parks and recreation:	
Salary	1 620 00
Contracted services	3 152 52
Repairs and maintenance	1 836 94
Utilities	3 221 94
	<u>9 831 40</u>
Total Expenditures	<u>286 316 29</u>

TOWNSHIP OF SHERMAN
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>83 462 61</u>	<u>2 574 112 18</u>	<u>2 656 492 95</u>	<u>1 081 84</u>
<u>Liabilities</u>				
Due to other funds	83 094 71	200 283 92	282 296 79	1 081 84
Due to others	<u>367 90</u>	<u>2 373 828 26</u>	<u>2 374 196 16</u>	<u>-</u>
Total Liabilities	<u>83 462 61</u>	<u>2 574 112 18</u>	<u>2 656 492 95</u>	<u>1 081 84</u>

TOWNSHIP OF SHERMAN
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>83 462 61</u>
Cash receipts:	
Property tax	2 569 564 97
Animal licenses	<u>4 547 21</u>
Total cash receipts	<u>2 574 112 18</u>
Total beginning balance and cash receipts	<u>2 657 574 79</u>
Cash disbursements:	
Township General Fund	180 584 21
Township Fire Fund	78 812 58
Township Weed Control Fund	22 900 00
Isabella County	1 107 537 07
Isabella County Transportation Commission	75 631 49
Chippewa Hills	746 748 12
Mecosta-Osceola Intermediate School District	427 330 93
Refunds	<u>16 948 55</u>
Total cash disbursements	<u>2 656 492 95</u>
Cash in Bank – End of Year	<u><u>1 081 84</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 10, 2008

To the Township Board
Township of Sherman
Isabella County, Michigan

We have audited the financial statements of the Township of Sherman for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sherman in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sherman
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants